



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

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State Treasurer and VPIC Urge ExxonMobil to Adopt Greenhouse Gas Emission Reduction Goals

MONTPELIER, Vt.—Vermont and a coalition of 47 global investors are challenging the ExxonMobil Corporation to adopt quantitative goals for reducing total greenhouse gas emissions from its products and operations. Upon the request of State Treasurer Beth Pearce, the Vermont Pension Investment Committee recently approved the co-filing of a shareholder resolution asking ExxonMobil to report to shareholders by the end of November on its plans to achieve these goals.

"As a shareholder, VPIC can request that ExxonMobil examine its practices," explained Pearce. "We believe that clear greenhouse gas emission reduction goals will make Exxon more competitive and in turn protect shareholder value and address climate risk. By requesting this as part of an investor coalition, Vermont has a significant seat at the table to advocate for change."

The VPIC oversees the management of approximately \$4 billion in pension assets for the Vermont Retirement System and the Burlington Employees' Retirement System. The State Treasurer is a member of the committee and acts as its Vice Chair. In passing the resolution at their December meeting, VPIC joined a coalition coordinated by the Interfaith Center on Corporate Responsibility (ICCR) and Ceres. ICCR is a coalition of more than 300 faith-and values-based institutional investors representing more than \$100 billion in collective assets. ICCR advocates for just and sustainable corporate practices and seeks to advance the transition to a green energy future. Ceres is a non-profit organization focused on mobilizing business and investor leadership on climate change, water scarcity and other sustainability challenges. The State Treasurer's Office was a founding member of the Ceres' Investor Network on Climate Risk, organized in 2003.

"VPIC continues to strengthen its proxy voting policies to influence companies we invest in to achieve certain environmental, social or governance goals," said VPIC Chair Stephen Rauh. "As an institutional investor, VPIC maintains its standing and rights as a shareholder and the ability to influence corporate and governmental entities through constructive engagement. VPIC believes reports and enhanced disclosure requests offer a formal structure for decision making that helps management teams address risks and global trends that can have serious consequences for business and society."

The VPIC approved co-filed resolution describes ExxonMobil's management strategy as "wholly inadequate" in response to the severity of the climate crisis. The resolution urges

the company to create a disciplined business strategy with goals to reduce greenhouse gas emissions.

"As the company's emissions increase even as production declines, this resolution - with the largest number of co-filers of any resolution for the eighth year in a row - calls for a disciplined business strategy that would position the company to make needed reductions in emissions," said Sister Patricia A. Daly, OP, who represents the lead filer of the resolution, the Sisters of St. Dominic of Caldwell, New Jersey. She also serves as the Executive Director of the Tri-State Coalition for Responsible Investment.

The challenge to ExxonMobil by VPIC follows a similar action in June in which the State Treasurer joined investors in a letter to Krispy Kreme to encourage the company to adopt a more sustainable palm oil policy in their operations. Vermont joined other investors in asking the company to verify that their palm oil had been produced by third parties in a sustainable manner that avoids deforestation. Krispy Kreme has since adopted a zero deforestation policy.

"Using our influence as an investor, we can request a level of accountability from the companies we invest in," said Pearce. "For example, 15 of the 24 managers that VPIC contracts with are signatories to the United Nations Principles for Responsible Investment. As signatories, these managers are expected to incorporate environmental, social and governance issues into their decision-making processes. Vermont and other investors hold these managers accountable by requiring appropriate disclosure and reporting on activities and progress on these issues."

VPIC also is considering a similar shareholder filing resolution against BP, a multinational oil and gas company headquartered in London, England.

Reduce Greenhouse Gas Emissions 2015: Resolution of the Vermont Pension Investment Committee

WHEREAS:

The 2014 Synthesis Report of the Intergovernmental Panel on Climate Change (IPCC) warns that continued greenhouse gas (GHG) emissions and subsequent global warming will have "severe, pervasive and irreversible impacts for people and ecosystems." The Risky Business report forecasts significant economic costs to agriculture, labor productivity, and property.

To mitigate the worst impacts of climate change and limit warming to below 2°C, as agreed in the Copenhagen Accord, the IPCC estimates that a fifty percent reduction in GHG emissions globally is needed by 2050, relative to 1990 levels.

Climate regulations are already here. In the United States, President Obama recently committed to reduce emissions 26-28% by 2025; and EPA Fuel Efficiency Standards require autos to average 54.5 MPG by 2025, calling for a new generation of low-carbon fuels. EU countries pledged to reduce emissions by 40% below 1990 levels by 2030. China, seen as the primary driver of future global demand for oil, made a commitment to peak its carbon emissions by 2030. These initial commitments foreshadow the global climate treaty to be negotiated in Paris in December 2015.

A business plan with clear GHG reduction goals will strengthen ExxonMobil's competitive position, protect shareholder value, and effectively manage climate risk. Sixty percent of

Fortune 100 companies have set GHG reduction goals or renewable energy targets. CDP, which represents 767 institutional investors holding \$92 trillion in assets, found that of the 386 companies in the S&P 500 that report to CDP, 79% earn a higher return on their carbon reduction investments than on their overall corporate capital investments.

We believe the failure of ExxonMobil's management to set public goals has impacted the company's ability to reduce overall emissions: between 2011 and 2013, ExxonMobil's emissions increased 3.7%, even as production fell 6.1%. ExxonMobil's long-standing strategy of setting an internal price of carbon has not led to emissions reductions. As ExxonMobil itself notes, proper management of environmental performance requires that "key strategies and objectives" be established and that "results are regularly stewarded against prior commitments."

Nearly 90% of ExxonMobil's GHG emissions are associated with the combustion of its products. A strategy to manage climate risk that does not limit GHG emissions from its products is incomplete.

The evolution of ExxonMobil's management strategy in response to the severity of the climate crisis has been wholly inadequate. We urge the company to create a disciplined business strategy with goals to reduce GHG emissions.

RESOLVED: Shareholders request that the Board of Directors adopt quantitative goals for reducing total greenhouse gas emissions from the Company's products and operations; and that the Company report to shareholders by November 30, 2015, on its plans to achieve these goals. Such a report will omit proprietary information and be prepared at reasonable cost.